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C O N F I D E N T I A L SECTION 01 OF 02 MINSK 000733

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SUBJECT: VITEBSK OFFICIALS' OPTIMISM SHROUDS CONTINUED REPRESSION

REF: A. MINSK 003

[¶](#)B. MINSK 676

Classified By: Charge Jonathan Moore for reason 1.4 (d).

Summary

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[¶](#)1. (SBU) Poloffs recently traveled to two cities in Belarus' Vitebsk region to survey the local political and economic landscape. The regional authorities were generally optimistic about the region's economic performance and potential for foreign investment, particularly in its Free Economic Zone. Meanwhile, despite severe GOB repression, local pro-democracy forces seek more coordination among opposition and civil society groups as they gear up for Belarus' 2008 parliamentary elections. End summary.

Regional Authorities Upbeat about Economy...For Now

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[¶](#)2. (SBU) Poloffs recently traveled to Belarus' northern Vitebsk region (Oblast) to discuss the local political-economic situation with GOB and opposition politicians. On August 15, members of the Gorodok District Executive Committee (Rayispolkom) described a generally rosy picture of their district's economy. Rayispolkom Chair Anatoliy Moroz touted Gorodok's unemployment rate of 0.9 percent, with eight-percent growth in the agricultural sector. According to Moroz, the recent conflicts between the GOB and Gazprom over energy prices had no significant effect on his district's mainly agrarian economy and dairy industry (ref A and B). However, when pressed, Moroz conceded to Poloffs that this growth was unsustainable given the area's lack of outside investment and steady migration of young Gorodok residents to Minsk and abroad.

[¶](#)3. (SBU) A day later, Vitebsk City International Relations and Entrepreneurship Office Head Natalya Korolyova similarly confided to Poloffs her concerns that such migration trends could also negatively affect Vitebsk City's economy and underscored the need for attracting foreign investment, particularly from the United States. Nevertheless, Vitebsk City Executive Committee First Deputy Vladimir Katashuk boasted that his city's pro-investment policies resulted in a 67 percent increase in the number of private enterprises over the last five years. Attributing much of his city's success to its Free Economic Zone (FEZ), Katashuk claimed that his region is experiencing an economic boom with a 1.4 percent unemployment rate and annual industrial and investment growth rates of 12 and 22 percent, respectively, over last year.

Free Economic Zone: Too Good to Be True?

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¶4. (SBU) GOB-appointed FEZ Administration Head Leonid Shevchenko also lauded the FEZ's performance. He boasted that the FEZ hosts 32 investment projects with capital from 11 countries, including USD 51.5 million from the U.S. According to Shevchenko, for the last three years the production value of FEZ residents in actual prices increased eight times and totaled USD 111 million, and sales profits skyrocketed 11.3 times. Shevchenko attributed the FEZ's success to import and export duty waivers and tax breaks of up to 60 percent for its residents. Noting that the FEZ is planning projects for the construction of a brick plant and production of ultra-sound sensors, Shevchenko requested the Embassy to invite more American businesspeople to invest in FEZ projects.

¶5. (SBU) Later Poloffs toured the FEZ's largest resident company, German-owned Vitella Chocolate Factory, whose Managing Director Michael Chechenev was less sanguine about his company's and, more broadly, the FEZ's prospects. Chechenev noted that the Vitella profits had declined over the past year because of recent Russian import restrictions on Belarusian sugar products. Moreover, the manager complained about the mercurial nature and application of GOB tax and labor regulations and lack of legal recourses for foreign companies to settle disputes with local authorities and expressed doubts about future capital. Nevertheless, manager concluded, "Vitella has invested more than USD seven million in the facilities alone since 2001 and is not ready to pull out -- yet."

Vitebsk's Dissidents: Repressed, Depressed, and Divided

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¶6. (C) Poloffs also spoke with Vitebsk region's democratic opposition, civil society representatives, and independent

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media, who were even more pessimistic regarding region's future. Like Moroz, Assembly of Local Soviet Members and Democratic Activists Leonid Gorovoy also seemed forlorn as he described how migration was dashing hopes of revitalizing and sustaining Gorodok's development. Gorovoy elaborated that the lure of finding work elsewhere had eviscerated Gorodok's base of youth opposition and that most of Gorodok's remaining residents are older and more pro-Lukashenko. Nevertheless, despite intensifying harassment by local authorities, he and an opposition Belarusian Popular Front representative quietly pledged to organize what democratic opposition remains in Gorodok for Belarus' 2008 parliamentary elections.

¶7. (C) All opposition leaders in Vitebsk and Gorodok agreed that the lack of alternative news sources in regions outside Minsk remained the single greatest obstacle to Belarus' democratic transition. Independent newspaper editor Vladimir Bazan reported that local officials continue to use economic instruments, such as restrictions on advertisements and subscriptions for businesses, to suppress independent newspapers. According to Bazan, the effects GOB repression are sometimes worsened by some rival opposition leaders who tend to blur distinctions between professional journalists and partisan activists. Independent journalist and human rights defender Leonid Svetsik added that the lack of coordination among Vitebsk's civil society groups and with their counterparts in Minsk had become a serious challenge. However, he predicted more opposition unity, despite heavy-handed GOB repression against democratic activists, as the elections approach.

Comment

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¶8. (C) Throughout the trip, the local government seemed upbeat but defensive. Pro-democracy forces were circumspect but resolute. The most surprising aspect of the trip was the complete absence of state media, local ideological officers, and BKGB, who were usually unrelenting during previous trips.

It is too early to consider authorities' affectation of civility as part of something more than a veneer for their repression of local pro-democracy forces. We can say, however, that our regional trips continue to send an important signal of support and encouragement to regional opposition activists as they prepare for the upcoming parliamentary elections and remind the regime that the USG is closely monitoring its actions in Belarus' more remote areas.

Moore